

TOWNSHIP OF FOREST HOME
ANTRIM COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008

Township Officials

Supervisor

Terry Smith

Clerk

Suzanne Mahan

Treasurer

Theresa Kent

Trustees

Dean Crandall

Scott Steiner

FOREST HOME TOWNSHIP

Table of Contents

	Page
Independent Auditor's Report	1
Management's Discussion and Analysis	2-4
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Assets	5
Statement of Activities	6
Fund Financial Statements:	
Governmental Funds	
Balance Sheet	7
Reconciliation of the Balance Sheet to the Statement of Net Assets	8
Statement of Revenues, Expenditures and Changes In Fund Balance	9
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balance to the Statement of Activities	10
Fiduciary Funds	
Statement of Fiduciary Assets and Liabilities	11
Notes to Financial Statements	12-19
Required Supplemental Information	
Budgetary Comparison Schedule – General Fund	20-22
Budgetary Comparison Schedule – Road Fund	23
Budgetary Comparison Schedule – Ambulance Fund	24



Keskin, Cook, Miller & Alexander, LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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Independent Auditor's Report

November 18, 2008

To the Township Board
The Township of Forest Home
Antrim County, Michigan

We have audited the accompanying financial statements of the governmental activities, and the major funds of the Township of Forest Home, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities and the major funds activity of the Township as of March 31, 2008, and the respective changes in financial position thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2-4 and budgetary comparison information on pages 19-22 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Keskin Cook Miller & Alexander LLP
KESKINE, COOK, MILLER, & ALEXANDER, LLP

Supervisor: Terry Smith
Clerk: Suzanne C. Mahan
Treasurer: Theresa Kent
Trustee: Dean Crandall
Trustee: Dan Steiner



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TOWNSHIP OF FOREST HOME MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED MARCH 31, 2008

This section of Forest Home Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2008. Please read it in conjunction with the financial statements that immediately follow this section.

Financial Highlights

Overall revenues for the primary government were approximately \$922,000 of which approximately \$55,000 is classified as program revenues, and approximately \$867,000 is classified as general revenues (consisting primarily of state shared revenues and property taxes). Overall expenses totaled approximately \$746,000 the primary government. The activities of the Township have remained the same.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities. The remaining statements are fund financial statements, which focus on the detailed activities of the Township's funds.

The notes to the financial statements explain some of the information in the statements and provide more detailed data. Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

Government-Wide Statements

The government-wide statements report information about the Township as a whole using accounting methods used by private companies. The Statement of Net Assets includes all of the Township's assets and liabilities. The Statement of Activities records all of the current year revenues and expenses regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities and this is one method to measure the Township's financial health or position.

Over time, increases or decreases in an entity's net assets is an indicator of whether financial position is improving or deteriorating.

To assess overall health of an entity, you may also have to consider tax base changes and other various economic conditions.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's funds. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following kinds of funds:

Governmental Funds: All of the Township's activities are classified in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that differences between the government-wide statements and the fund statements are disclosed to explain the difference between them.

General Fund – this fund accounts for all activities of the Township not required to be reported in a separate fund. Revenues consist primarily of property taxes and state shared revenues. Expenditures consist of general government activities, cemetery, building and grounds and street lights.

Roads Fund – this fund accounts for the road millage and road repair and maintenance expenditures.

Ambulance Fund – this fund accounts for the ambulance millage and payments to the Township Ambulance Authority.

Financial Analysis of the Township as a Whole

Net Assets - the Township's net assets increased by approximately \$175,000 during the year ended March 31, 2008 totaling at year-end \$2,109,484.

Capital Asset and Long-Term Debt Activity

The Township did make various improvements in Clam Lake public access and Lessard Landing throughout the year for a total increase of 11,946. Depreciation expense totaled \$2,597.

The Township has no outstanding long-term debt.

Known Factors affecting Future Operations

None.

Contacting Township Management

This financial report is designed to provide our taxpayers, creditors and investors with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have questions concerning this report, please contact any member of the Township Board at P.O. Box 317, Bellaire, MI 49615.



Terry Smith, Supervisor

**TOWNSHIP OF FOREST HOME
STATEMENT OF NET ASSETS
MARCH 31, 2008**

	Primary Government - Governmental Activities
Assets	
Cash	\$ 1,073,591
Investments	182,655
Accounts receivable:	
Due from other funds	7,772
Receivable from tax collection fund	87,826
Due from county	12,540
Capital assets, net of accumulated depreciation	802,740
Total assets	2,167,124
Liabilities	
Accounts payable and accrued liabilities	57,640
Net Assets	
Invested in capital assets	802,740
Restricted for road repair and maintenance	470,920
Unrestricted	835,824
Total net assets	\$ 2,109,484

See accompanying notes to financial statements.

TOWNSHIP OF FOREST HOME
STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2008

	Program Revenues				Net (Expense) Revenue and and Changes in Net Assets
	Expenses	Charges For Services	Operating Grants & Contributions	Capital Grants & Contributions	
Governmental Activities					
General government	\$ (260,628)	\$ 54,551	\$ -	\$ -	(206,077)
Public safety	(370,033)	-	-	-	(370,033)
Parks and recreation	(4,826)	-	-	-	(4,826)
Public works	(110,677)	-	-	-	(110,677)
Total governmental activities	(746,164)	54,551	-	-	(691,613)
General revenues:					
Property Taxes:					
Levied for general operating purposes					162,565
Levied for fire protection					258,115
Levied for ambulance services					111,918
Levied for road repair and maintenance					170,635
State shared revenue (not restricted to specific purpose)					93,982
Interest					61,959
Miscellaneous					7,777
Total general revenues					866,951
Change in net assets					175,338
Net assets - Beginning of year					1,934,146
Net assets - End of year					\$ 2,109,484

See accompanying notes to financial statements.

TOWNSHIP OF FOREST HOME
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2008

	<u>Major Funds</u>			
	<u>General</u>	<u>Roads</u>	<u>Ambulance</u>	<u>Total</u>
Assets				
Cash	\$ 690,273	\$ 383,318	\$ -	\$ 1,073,591
Investments	110,252	72,403	-	182,655
Delinquent taxes receivable	-	7,427	5,113	12,540
Due from tax collection fund	37,735	7,772	50,091	95,598
Total assets	\$ 838,260	\$ 470,920	\$ 55,204	\$ 1,364,384
Liabilities and Fund Equity				
Liabilities:				
Accrued payroll liabilities	\$ 2,436	\$ -	\$ -	\$ 2,436
Due to other governments	-	-	55,204	55,204
Total liabilities	2,436	-	55,204	57,640
Fund Balance:				
Undesignated	835,824	470,920	-	1,306,744
Total liabilities and fund equity	\$ 838,260	\$ 470,920	\$ 55,204	\$ 1,364,384

See accompanying notes to financial statements.

**TOWNSHIP OF FOREST HOME
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
MARCH 31, 2008**

Total Fund Balance - Governmental Funds (Per Balance Sheet - page 7)	\$ 1,306,744
Amounts reported for governmental activities in the Statement of Net Assets (page 5) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not recorded in the funds	<u>802,740</u>
Total Net Assets - Governmental Activities (Per Statement Of Net Assets - Page 5)	\$ <u>2,109,484</u>

See accompanying notes to financial statements.

**TOWNSHIP OF FOREST HOME
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2008**

	<u>Major Funds</u>			
	<u>General Fund</u>	<u>Roads Fund</u>	<u>Ambulance Fund</u>	<u>Total</u>
Revenues				
Current property taxes	\$ 420,680	\$ 170,635	\$ 111,918	\$ 703,233
State shared revenues	93,982	-	-	93,982
Charges for services	54,551	-	-	54,551
Interest	45,685	16,274	-	61,959
Other	9,062	-	-	9,062
Total revenues	623,960	186,909	111,918	922,787
Expenditures				
Current:				
General government	270,239	-	-	270,239
Public works	4,118	106,559	-	110,677
Parks and recreation	4,565	-	-	4,565
Public safety	258,115	-	111,918	370,033
Total expenditures	537,037	106,559	111,918	755,514
Excess of revenues over expenditures	86,923	80,350	-	167,273
Fund balance - April 1, 2007	748,901	390,570	-	1,139,471
Fund balance - March 31, 2008	\$ 835,824	\$ 470,920	\$ -	\$ 1,306,744

See accompanying notes to financial statements.

**TOWNSHIP OF FOREST HOME
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2008**

Net Change In Fund Balance - Governmental Funds (Page 9)	\$	167,273
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Amounts reported for governmental activities in the Statement of Activities
(page 6) are different because:

Governmental funds report capital outlay as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives		10,661
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Depreciation expense is recorded in the Statement of Activities but not the fund financial statements.		(2,596)
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Change In Net Assets - Governmental Activities (Per Statement Of Activities - Page 6)	\$	175,338
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See accompanying notes to financial statements.

TOWNSHIP OF FOREST HOME
STATEMENT OF FIDUCIARY NET ASSETS
MARCH 31, 2008

Assets	
Cash	\$ 215,098
Due From County for delinquent taxes	39,089
Other receivables	820
	<hr/>
Total assets	255,007
	<hr/> <hr/>
Liabilities	
Due to other funds	95,598
Due to other Governments	159,409
	<hr/>
Total liabilities	255,007
	<hr/> <hr/>

See accompanying notes to financial statements.

**TOWNSHIP OF FOREST HOME
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008**

Note 1: Entity

The Township of Forest Home is a general law township of the State of Michigan located in Antrim County, Michigan. It operates under an elected board and provides service to its residents in many areas including law enforcement, community enrichment and human services.

The criteria for determining the various governmental functions to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships. On this basis, the financial statements include all of the governmental functions of the Township of Forest Home.

Joint Venture

The Bellaire District Fire Authority is a joint venture created December 1973 by Forest Home and Kearney Townships, of Antrim County, Michigan. The Bellaire District Fire Authority is organized under PA 7 of 1967 and PA 365 of 1982 of the Michigan Compiled Laws. The board was organized to better serve the citizens of the townships and the Village of Bellaire.

The Department is under the control of a Board consisting of two members from each Township and a member residing in the Village of Bellaire. Each township appoints two Board members and an at large member is selected from the Village of Bellaire. The Board's duties are to oversee operations, maintain assets, and communicate with the Fire Chief and their respective municipal boards.

Funding for the Fire Board's operations is largely provided by an assessment to each township approximately equal to a 1 mill levy on the taxable value of the geographical area covered. The Fire Authority's boundaries include all of Forest Home and Kearney Townships.

The Bellaire District Fire Authority is audited under separate cover. Financial statements can be obtained at 321 N. Bridge Street, Bellaire, MI 49615.

Note 2: Summary of Significant Accounting Policies

Introduction

The accounting and reporting framework and the more significant accounting principles and practices of Forest Home Township are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations including required disclosures of the Township's financial activities.

**TOWNSHIP OF FOREST HOME
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008**

Note 2: Summary of Significant Accounting Policies (Continued)

The accounting policies of Forest Home Township conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

Government-wide and Fund Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Township as a whole, excluding fiduciary activities such as tax collection activities.

Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Township general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. At this time, the Township has no business-type activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with functional programs. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Township's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds. The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

**TOWNSHIP OF FOREST HOME
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008**

Note 2: Summary of Significant Accounting Policies (Continued)

Fund Types and Major Funds

Governmental Funds

The Township reports the following major governmental funds:

General Fund - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants and other inter-governmental revenues.

Roads Fund – This fund is used to account for the financial activity related to the repair and maintenance of Township roads. Revenues are derived primarily from property taxes.

Ambulance Fund – This fund is used to account for the financial activity related to ambulance services for the Township. Revenues are derived from property taxes.

Other Funds

Fiduciary Funds - These funds are used to account for assets held in trust or as an agent for others. Tax collection activities are recorded in this category. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

Measurement Focus and Basis of Accounting

The financial statements of the Township are prepared in accordance with generally accepted accounting principles (GAAP). The Township applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Township does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

Government-Wide Financial Statements

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Township departments. Fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements.

**TOWNSHIP OF FOREST HOME
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008**

Note 2: Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Continued)

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental Fund Financial Statements

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available.

Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Township considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Property tax revenues are recognized as follows:

Properties are assessed as of December 31 and the related property taxes are levied on December 1 of the following year. These taxes are due on February 15; uncollected amounts are subsequently added to the county delinquent tax rolls. A county revolving fund normally pays the balance of the Township's tax levy by May 31 of each year. In accordance with GASB 33 "Accounting and Financial Reporting for Nonexchange Transactions", the Township records the property tax revenue when it becomes an enforceable legal claim for the Township. Therefore, all taxes levied on December 1, 2007, are recorded as revenue in the current year. The Township's taxable value for the 2007 tax year totaled \$174,344,205.

The tax rates for the year ended March 31, 2008, were as follows:

PURPOSE	RATE/ASSESSED VALUATION
General	0.9325 mills per \$1,000
Fire (Voted Special Assessment)	1.5000 mills per \$1,000
Road (Voted)	0.9325 mills per \$1,000
Ambulance (Voted)	0.6420 mills per \$1,000

**TOWNSHIP OF FOREST HOME
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008**

Note 2: Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Continued)

Budget

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional and activity basis. The approved budgets of the Township for these budgetary funds were adopted on an activity level. Budgets as adopted end on March 31 of each year. There are no carryover budget items. The Township experienced no overexpenditures during the year.

Capital Assets and Depreciation

The Township's property, plant, and equipment, with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The Township generally capitalizes assets with historical cost of \$1,500 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Computers and peripherals	1 – 3 years
Office furniture	5 – 20 years
Township vehicles	4 – 7 years
Buildings and improvements	25 – 40 years
Land improvements	10 – 20 years
Machinery and equipment	5 – 10 years

Land and construction in progress are not depreciated.

For information describing capital assets, see Note 4.

Use of Estimates

The financial statements have been prepared in conformity with generally accepted accounting principles as applicable to governments and, as much, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

**TOWNSHIP OF FOREST HOME
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008**

Note 3: Cash and Investments

Michigan Compiled Laws, Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivision, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local unit of government in Michigan.

The Township utilizes two area banks to maintain deposit accounts. At year end, the cash and investment balances were reported in the basic financial statements in the following categories:

	<u>Governemental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash	\$ 1,073,591	\$ 215,098	\$ 1,288,689
Investments	<u>182,655</u>	<u>-</u>	<u>182,655</u>
Total	<u>\$ 1,256,246</u>	<u>\$ 215,098</u>	<u>\$ 1,471,344</u>

Cash is comprised of deposite accounts held by the Township. Investments are certificates of deposits purchased by the Township with original maturities greater than 90 days.

The bank balance of the Township's cash and investments is \$1,477,593, of which \$307,700 is covered by federal depository insurance. The remainder was uninsured and uncollateralized. The Township believes that due to the dollar amounts of the cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**TOWNSHIP OF FOREST HOME
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008**

Note 4: Capital Assets

	Balance April 1, 2007	Additions	Disposals	Balance March 31, 2008
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 744,539	\$ 11,946	\$ -	\$ 756,485
Capital assets being depreciated:				
Buildings	86,705	-	-	86,705
Furniture and Equipment	22,320	-	-	22,320
Subtotal	109,025	-	-	109,025
Accumulated depreciation:				
Buildings	39,639	2,168		41,807
Furniture and Equipment	20,535	428		20,963
Subtotal	60,174	2,596	-	62,770
Net capital assets being depreciated	48,851	(2,596)	-	46,255
Net capital assets	<u>\$ 793,390</u>	<u>\$ (2,596)</u>	<u>\$ -</u>	<u>\$ 802,740</u>

Depreciation expense was charged to functions of the Township as follows:

Governmental Activities

General Government	\$ 2,335
Parks and Recreation	261
Total	<u>\$ 2,596</u>

Note 5: Contingencies

Insurance

The Township is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; error and omission; injuries to employees; and natural disasters.

The Township participates in the Michigan Township Participating plan, a self insured group. The pool is considered a public entity risk pool. The Township pays annual premiums to the pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims for each occurrence with the overall maximum coverage varying depending on the specific type of coverage of reinsurance. The Township has not been informed of any special assessments being required. There were no significant changes in coverage.

**TOWNSHIP OF FOREST HOME
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2008**

Note 6: Pension Plan

The Township of Forest contributes to a pension plan which is a defined contribution pension plan administered by the Manulife Financial Company.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under the Township's defined contribution pension plan, the benefits a participant will receive depends on the amount contributed to the participant's account and the returns earned on investments of those contributions.

All elected officials over the age of 21 are eligible to participate in the plan. Contributions made by the Township and employees are fully vested immediately. The participant will receive all vested benefits upon termination of employment with the Township. Normal retirement age is 65 or completion of 10 years of service, whichever is later. Early retirement is permitted at age 55.

The plan requires the Township to contribute 20% of the eligible employee's current compensation. The Township has met all pension obligations for the year ended March 31, 2008. The Township's contribution for the year totaled \$14,271.

No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

**TOWNSHIP OF FOREST HOME
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED MARCH 31, 2008**

	Original Budget	Final Amended Budget	Actual	Variance From Final Amended Budget
Revenues				
Current property taxes	\$ 412,115	\$ 412,115	\$ 420,680	\$ 8,565
State shared revenues	147,597	147,597	93,982	(53,615)
Charges for services	49,000	49,000	54,551	5,551
Local grants	254,000	254,000	-	(254,000)
Interest	25,000	25,000	45,685	20,685
Other	419,705	416,705	9,062	(407,643)
Total Revenues	1,307,417	1,304,417	623,960	(680,457)
Expenditures				
General Government				
Township Board:				
Wages	5,000	5,000	3,520	1,480
Social security	8,500	8,500	7,303	1,197
Office supplies	7,000	7,000	5,762	1,238
Data processing	10,000	10,000	7,770	2,230
Legal and professional	25,000	25,000	17,039	7,961
Audit	20,000	20,000	3,009	16,991
Education	4,000	4,000	1,560	2,440
Pension	20,000	20,000	14,271	5,729
Printing and publishing	3,000	3,000	1,213	1,787
Bonds and insurance	10,000	10,000	7,116	2,884
Dues and memberships	3,000	3,000	2,615	385
Spring clean-up expenses	32,000	32,000	26,427	5,573
Miscellaneous	7,000	7,000	5,946	1,054
Computer equipment	125,000	125,000	10,661	114,339
Capital outlay	4,000	4,000	374	3,626
Total Township Board	283,500	283,500	114,586	168,914
Township Supervisor:				
Salary	16,400	16,400	16,400	-
Deputy	2,600	2,600	2,600	-
Postage	500	500	474	26
Dues and membership	100	100	-	100
Total Township Supervisor	19,600	19,600	19,474	126
Election Board:				
Salaries	1,000	2,500	1,925	575
Supplies	1,500	3,000	1,181	1,819
Total Election Board	2,500	5,500	3,106	2,394

**TOWNSHIP OF FOREST HOME
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED MARCH 31, 2008**

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance From Final Amended Budget</u>
Township Assessor:				
Contract Services	22,700	22,700	22,700	-
Total Township Assessor	22,700	22,700	22,700	-
Township Clerk:				
Salaries	21,650	21,650	21,650	-
Deputy Clerk	3,300	3,300	3,300	-
Postage	500	500	382	118
	25,450	25,450	25,332	118
Board of Review:				
Salaries	2,500	2,500	1,600	900
Total Board of Review	2,500	2,500	1,600	900
Township Treasurer:				
Salary	21,650	21,650	21,650	-
Deputy	4,000	4,000	4,000	-
Postage	4,000	4,000	3,828	172
Total Township Treasurer	29,650	29,650	29,478	172
Township Hall:				
Utilities	10,000	10,000	8,031	1,969
Repair and maintenance	7,500	7,500	1,141	6,359
Capital outlay	-	-	11,946	(11,946)
Total Township Hall	17,500	17,500	21,118	(3,618)
Planning / Zoning Board:				
Planning/zone admin wages	21,050	21,050	20,750	300
Legal & professional	10,000	10,000	4,177	5,823
Transportation and miscellaneous	2,500	2,500	1,680	820
Total Planning / Zoning	33,550	33,550	26,607	6,943
Cemetery				
Cemetery services	13,000	13,000	6,238	6,762
Capital outlay	-	-	-	-
Total Cemetery	13,000	13,000	6,238	6,762
Fire Protection				
Fire protection	258,115	258,115	258,115	-
Total Fire Protection	258,115	258,115	258,115	-
Total General Government	708,065	711,065	528,354	182,711

**TOWNSHIP OF FOREST HOME
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED MARCH 31, 2008**

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance From Final Amended Budget</u>
Public Works:				
Roads and Streets				
Street lighting	4,500	4,500	4,118	382
Parks and Recreation:				
Parks				
Park maintenance	-	-	4,565	(4,565)
Total Expenditures	<u>712,565</u>	<u>715,565</u>	<u>537,037</u>	<u>178,528</u>
Excess Revenues over Expenditures	594,852	588,852	86,923	(501,929)
Fund Balance - Beginning of Year	<u>748,901</u>	<u>748,901</u>	<u>748,901</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 1,343,753</u>	<u>\$ 1,337,753</u>	<u>\$ 835,824</u>	<u>\$ (501,929)</u>

**TOWNSHIP OF FOREST HOME
BUDGETARY COMPARISON SCHEDULE - ROADS FUND
YEAR ENDED MARCH 31, 2008**

	Original Budget	Final Amended Budget	Actual	Variance From Final Amended Budget
Revenues				
Current property taxes	\$ 162,548	\$ 162,548	\$ 170,635	\$ 8,087
Interest	-	-	16,274	16,274
Total revenues	162,548	162,548	186,909	24,361
Expenditures				
Road repairs and maintenance	300,000	300,000	106,559	193,441
Excess (deficiency) of revenues over (under) expenditures	(137,452)	(137,452)	80,350	217,802
Fund Balance - Beginning of Year	390,570	390,570	390,570	-
Fund Balance - End of Year	<u>\$ 253,118</u>	<u>\$ 253,118</u>	<u>\$ 470,920</u>	<u>\$ 217,802</u>

**TOWNSHIP OF FOREST HOME
BUDGETARY COMPARISON SCHEDULE - AMBULANCE FUND
YEAR ENDED MARCH 31, 2006**

	Original Budget	Final Amended Budget	Actual	Variance From Final Amended Budget
Revenues				
Taxes and assessments	\$ 111,918	\$ 111,918	\$ 111,918	\$ -
Expenditures				
Ambulance services	111,918	111,918	111,918	-
Excess of revenues over expenditures	-	-	-	-
Fund Balance - Beginning of Year	-	-	-	-
Fund Balance - End of Year	\$ -	\$ -	\$ -	\$ -



Keskin, Cook, Miller & Alexander, LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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Ronald D. Alexander, CPA (Ret.)

November 18, 2008

To the Township Board
Township of Forest Home
Antrim County, MI

In planning and performing our audit of the financial statements of the governmental activities and the major fund of the Township of Forest Home (the Township) as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

Segregation of Duties

A properly designed system of internal control segregates the accounting responsibilities from employees who have access to physical assets such as cash, investments and payroll, from authorization and approval of transactions and account reconciliations. The small size of the Township's staff precludes a complete segregation of duties resulting in more than a remote risk that material misstatements could occur and not be detected during normal activities.

Preparation of Financial Statements

The above definition of a significant deficiency includes any condition that adversely affects the ability to report financial data in accordance with generally accepted accounting principles ("GAAP"). As a matter of convenience, the Township has always relied upon its auditors to prepare financial statements and related notes and supplemental schedules for external reporting in accordance with GAAP. As a consequence, the Township has not developed the tools and resources necessary to enable its employees to prepare reports in conformity with GAAP in the normal course of performing their assigned functions. The Township has committed the resources necessary to meet its internal reporting needs. In this regard, it is not unlike many other Governmental Units of its size.

This communication is intended solely for the information and use of management, the Township of Forest Home's Board of Trustees and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.



Keskine, Cook, Miller & Alexander LLP



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November 18, 2008

To the Township Board
Township of Forest Home
Antrim County, MI

We have audited the financial statements of the governmental activities and the major funds of the Township of Forest Home (the Township) for the year ended March 31, 2008, and have issued our report thereon dated November 18, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 16, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters on May 16, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of accumulated depreciation is based on the estimated useful life of the assets. We evaluated the key factors and assumptions used to develop the useful life in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of the Township's Measurement Focus and Basis of Accounting policy in Note 2 to the financial statements. We evaluated standard governmental accounting policies and procedures in determining the adequacy of the disclosure from a neutral, consistent and clear perspective for the end user.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 18, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Segregation of Duties

A properly designed system of internal control segregates the accounting responsibilities from employees who have access to physical assets such as cash, investments and payroll, from authorization and approval of transactions and account reconciliations. The small size of the Township's staff precludes a complete segregation of duties resulting in more than a remote risk that material misstatements could occur and not be detected during normal activities.

Preparation of Financial Statements

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This communication is intended solely for the information and use of management, the Township of Forest Home's Board of Directors and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,


Keskine, Cook, Miller & Alexander LLP